

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 ABF-01 FS-01 OPR-02 PER-01 AID-05

CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00 USIA-06

XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01

NSC-05 SS-15 STR-04 CEA-01 PA-01 PRS-01 DODE-00

NSCE-00 SSO-00 USIE-00 INRE-00 /085 W

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O 132150Z SEP 76 ZFF-6

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 7337

INFO TRSY WASHDC IMMEDIATE

C O N F I D E N T I A L MEXICO 11702

E.O. 11652: GDS

TAGS: EFIN, MX

SUBJ: PESO EXCHANGE RATE

REF: MEXICO 11664

1. CONTRARY TO IMPRESSION GIVEN BY SATURDAY NIGHT MEETING REGARDING THE EXCHANGE RATE FOR PESO, AND REPORTED REFTTEL, BANK OF MEXICO OFFICIAL TOLD FINATT THAT 19.7-19.9 RATE FIXED ON SEPTEMBER 11, DOES NOT CONSTITUTE A NEW PARITY.

2. THE BANK OF MEXICO VERSION OF THE SATURDAY NIGHT FIXING IS THAT: (A) NO FIXED PARITY HAS BEEN ESTABLISHED; (B) THE 19.7-19.9 RATE WILL REMAIN FOR AN INDEFINITE PERIOD TO FACILITATE NEGOTIATIONS FOR A WAGE INCREASE AND THE ESTABLISHMENT OF NEW OFFICIAL PRICES; (C) THE FLOATING RATE POLICY REMAINS IN FORCE; (D) A NEW PARITY, WHEN ESTABLISHED, WILL HAVE A NARROWER MARGIN BETWEEN THE BUYING AND SELLING RATES THAN THE PRESENT ONE PERCENT.

3. PUBLIC IMPRESSION CONTINUES TO BE THAT A NEW PARITY
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HAS BEEN SET THAT WILL CONTINUE INDEFINITELY. BANK

OF MEXICO OFFICIAL DECLINED TO INDICATE WHEN RATE MIGHT BE CHANGED. WE BELIEVE ANOTHER CHANGE IS UNLIKELY UNTIL A SPECIAL WAGE INCREASE CAN BE AGREED UPON AND OFFICIAL PRICES RE-SET, AND EVEN THEN MIGHT BE DIFFICULT TO ACCOMPLISH. AS PRESIDENT INVOLVED IN SATURDAY NIGH RATE CHANGE, HE WOULD HAVE TO CONCUR IN THE NEXT CHANGE. HE APPEARS TO PREFER A FIXED RATE AND IT MAY BE DIFFICULT FOR THE TECHNICIANS TO CONVINCE HIM TO ABANDON THE 19.7-19.9 RATE.

4. THE EMBASSY HAS HEARD REPORTS OF SIGNIFICANT PRICE INCREASES AND REFUSAL TO ENGAGE IN BUSINESS. IT IS REPORTEDLY IMPOSSIBLE TO BUY A NEW CAR IN MEXICO. DEALERS AND MANUFACTURES ARE WAITING FOR NEW OFFICIAL PRICES TO BE SET. SUPPLIERS ARE TRYING TO BOOST PRICES AND PRODUCERS CAUGHT IN THE MIDDLE ARE BEGINNING TO REFUSE TO SELL TO RETAILERS AT THEIR OFFICIAL PRICES. HIS SITUATION PLUS LABOR DEMANDS (SEE MEXICO 11664) IS THE APPARENT REASON FOR THE FIXING OF AN EXCHANGE RATE THAT WILL BE STABLE FOR AN UNKNOWN PERIOD OF TIME.
THOMPSON

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